


Maricopa County Policies and Procedures	Subject: Reserve and Tax Reduction Policy Guidelines Number: B1007 Issue Date: 06/1996 Revised: 03/1998 Revised: 05/2000
Approved: 	Initiating Department: Office of Management and Budget

A. Introduction

The purpose of this policy is to provide for long-term financial stability and low, sustainable tax rates through responsible use of non-recurring resources, appropriate and minimal use of debt, and maintenance of reserve funds. Adherence to the policy will insure that Maricopa County maintains recurring revenue streams sufficient to support ongoing spending requirements. Adequate reserves will allow the County to maintain services during economic downturns without drastic expenditure reductions or tax increases while longer-term budgetary adjustments are put in place.

Further, this policy sets budgetary and financial guidelines regarding the reduction of taxes. The Reserve and Tax Reduction Policy demonstrates a commitment to the maintenance and, when possible, reduction of tax rates while ensuring that Maricopa County remains financially stable and accountable to the citizens.

B. Definitions

Fund Balance: The difference between fund assets and fund liabilities.

C. Reserve Policy Guidelines

1. The Board of Supervisors will maintain reserve fund balances in the General Fund, and in other funds as appropriate. Reserves will be designated for elimination of cash flow borrowing in the General Fund and in other funds as necessary.
2. Unreserved beginning fund balances will be estimated and included in the annual budget; such expenditures will be designated in the budget as appropriated fund balance. Fund balances may be appropriated for the following specific uses:
 - *Acquisition of fixed assets.*
 - *Retirement of outstanding debt.*
 - *Fiscal stabilization* by offsetting operating revenue shortfalls due to economic downturns, so long as adjustments are made to restore the structural balance of the budget within one to two fiscal years.
3. As an alternative method of acquiring assets, estimated fund balances may be reserved for repayment of debt used to build or acquire capital improvements. This method of financing will set aside fund balances that will fully or partially cover the outstanding debt, while maintaining additional cash reserves. As a guideline, no less than 25% of the outstanding debt principal must be held in reserve, or the

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capital acquisition must result in operating savings, such as building leases, that offset the ongoing debt service expenditures. The Board may consider exemptions to this guideline if there is a strong business justification for doing so.

4. Proceeds from the sale of real property will be reserved for capital improvements or to repay debt used to finance capital improvements, so long as future liabilities associated with the property, including environmental clean-up, have been met.
5. Use of fund balances must be consistent with the Tax Reduction Policy Guidelines, as outlined.

D. Tax Reduction Policy Guidelines

1. Unless otherwise required by law, the Board of Supervisors/Board of Directors will strive to maintain the combined primary, debt service, Library District, and Flood Control District property tax rates at current or lower levels.
2. The Board of Supervisors/Board of Directors may reduce property tax rates under the following conditions:
 - The tax reduction is sustainable for the foreseeable future according to reasonable and conservative forecasts.
 - The budget is currently structurally balanced, e.g., recurring revenue exceeds recurring expenditures and will remain so into the future according to reasonable and conservative forecasts.
 - Fund balance reserves are sufficient to eliminate cash-flow borrowing and unexpected economic changes.
 - Fund balances have been appropriated or reserved for repayment of outstanding debt.
 - Necessary capital expenditures are appropriated from fund balance, or supported by debt that is backed by reserved fund balances.